



*As I sell*

## URBAN REDEVELOPMENT

**O**BSOLESCENCE is defined in the Appraisal Terminology Handbook of the American Institute of Real Estate Appraisers in the following words: "The condition of being out of date. Obsolescence is caused by new inventions and improved processes for production or a change in the demand for the things produced. It is not the result of mere age or wear (physical deterioration)." With this definition in mind I think I can state definitely that the principal difficulty encountered by our cities is obsolescence. Our cities are out of date. The internal combustion engine primarily has been the new invention which has destroyed their usefulness. Most cities were laid out prior to the advent of rapid transportation. Land had a high scarcity value in those areas which were readily accessible and a very low value in other areas which at the time were inaccessible. In the close-in area the density of population was high, and as these densely populated cities were still growing rapidly, the fringes of the downtown district were constantly undergoing change. Obsolete residences were torn down as the downtown commercial districts expanded and were replaced with new and more modern buildings.

Rapid transportation, however, has now brought about several radical changes in the method by which cities are growing. The downtown district in the average city has ceased to expand in area as the mobility of the population has made it more convenient for many persons to shop in locations which to them are more accessible than the stores in the older part of the city. As a result, the blighted areas around the downtown commercial districts can no longer figure that within a period of years they will become commercial, with an opportunity to absorb the values still left in the obsolete buildings in higher land costs for commercial use. These higher land costs for commercial use have skipped over these blighted areas and are now developing in spots 5, 10 or 15 miles farther out.

After 27 years of study of blighted areas in relationship to the general real estate problem I am convinced that private initiative alone cannot rebuild these areas which are gradually destroying the values of our cities. The only remedy which I think will be effective involves replanning on an area basis, which is not feasible to the individual investor or builder.

Some persons would tell us that the answer lies in public housing or in some other socialized use of the ground. This I do not believe. If public housing is expanded on a sufficient scale to redevelop these blighted areas, a very large percentage of our population will be at least partially supported by heavy taxation on the remainder. Public housing has seemed to succeed because of the limited scale on which it has been used. Only because the housing subsidy was restricted to a very small portion of a more or less homogeneous economic group has its cost been within our purse. If all of the families in the same economic group having as much right to the housing subsidy as those actually selected were subsidized, public housing would be a luxury that not even the United States could afford. We have been faced with the problem of subsidizing rentals of real estate at the same time that the taxes on real estate have been increasing rapidly. It does not cure a patient to secure the blood for a transfusion from his own veins.

I have been an opponent over a long period of years of all types of Government subsidies. I have always felt that it was the duty of the citizen to support the Government and not the duty of the Government to support the citizen. Much of our experience with subsidies has been disastrous. If there ever has been any justification for Government subsidies it would lie in the need to increase rapidly the production of goods or services necessary for national protection. To subsidize the production of any commodity which is already in surplus supply is to merely increase the surplus and increase the difficulties in marketing and price levels which the subsidy was planned to correct. The greater part of our agricultural subsidies, originally employed as disaster insurance, has been continued until, as the subsidies increased the overhang of surplus on the market, they have become disaster assurance.

I have opposed in the past - and still do - subsidies in the real estate and housing field. In the early days of 608 high-pressure tactics on the part of the FHA, I constantly warned that these were unsound and that 608's would get into trouble. The insurance of an unsound loan is as much a subsidy as a parity ratio for agriculture.

There have been a few subsidies which have been used in the United States which I believe in the long run have had benefits which exceeded their costs, although even here tremendous scandals developed in their use. I am referring primarily to the subsidizing of our railroads with public lands in the period of rapid railroad expansion. It probably would have been impossible under unaided private initiative to have linked all portions of our widespread territory as rapidly as they were during this hectic period.

I also find myself willing to concede that a subsidy for urban redevelopment at the present time is a necessary evil, as I see no other way in which obsolete city patterns in the blighted areas of our urban centers can be modernized. The fundamental basis of the urban redevelopment effort at the present time, it seems to me, must lie in the following factors.

The right on the part of a municipality having an adequate redevelopment plan to acquire through eminent domain, even from unwilling sellers, the area which needs redevelopment. Unfortunately, though, the properties in these areas cannot be purchased through condemnation at their true value. By true value I mean the value that these properties would carry if all city ordinances on health and safety were rigidly enforced. The very fact that the average metropolitan area has allowed illegal uses to continue year after year has established earning records for many of these obsolete properties far higher than any legal and adequate use of the property could provide.

The street patterns in these areas were those designed when rapid transportation was provided by 'the sully with the fringe on the top.' Since these areas surround the central business district, traffic congestion has become impossible on many of the streets which now should be major freeways. These areas have been so outmoded by improvements in transportation, in housing, construction, and in central heating and plumbing that the only practical solution is to tear them down, replan the entire neighborhood, and start from scratch. However, when we tear down the existing so-called improvements, we are faced with the problem that the land suitable for redevelopment no longer has the fictional value which it had prior to the wrecking. It now is in competition with other vacant land, and while it does have some locational advantage which will increase its value, this locational advantage is not sufficient to give it a resale value equal to the condemnation price.

This brings us to our second point, that a financial loss is necessarily involved in the condemnation for urban renewal.

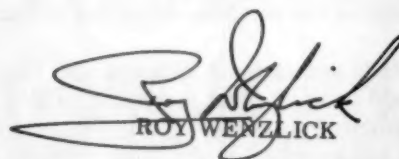
It is not entirely illogical that the Government - municipal, State or Federal - should bear at least a portion of this loss, as it is primarily the unwillingness of political Governments in the past to enforce the health and safety provisions that has resulted in the false opinions of value and the higher condemnation costs. After the land has been condemned and cleared, an adequate plan is laid out for the entire area. Certain restrictions are placed on the land so that its redevelopment must fit into the general program for the entire city. It is then offered for sale to private developers at its real value. This is a subsidy, however, and I find myself attempting to justify it in the following way.

Prior to the time of the redevelopment, most areas of this type are known as deficit areas - in other words, the real estate tax income from the area is insufficient to pay the cost of schools, police and fire protection, and the other municipal services that must be rendered to the area. A deficit area is a subsidized area. In other words, it seems to me that in redeveloping these areas we are doing away with a continuing subsidy and replacing it with a single subsidy covering the difference between the condemnation value and the reuse value. We are then returning the land to private developers who, over a period of years, will develop it into an area which will eventually bring in more revenue than the various municipal services cost. In some cities an extra incentive, or subsidy,

has been offered developers in some form of tax abatement, and to this I am opposed. It seems to me that the redeveloped use should carry its full tax load.

Necessarily, the land clearance for urban redevelopment program has gotten off to a slow start. I am not at all certain that this will not prove to be a strong point in its favor. Progress does not necessarily consist of motion but is more apt to be enduring if considered action is taken only after careful planning. The very delay in getting under way with this program may make it a strong stabilizing influence in our economy. During the past few years the building material manufacturers and the building trades have been operating at capacity. To try to achieve an increase in output under these conditions always results in large price increases accompanied by only moderate increases in production. There may be a time, however, in the period ahead when we may not wish to build at quite so feverish a pace. If by that time our land clearance and urban redevelopment program is getting into its stride, it may help to fill the valley between the building boom of the fifties and the one which is sure to occur some time in the middle or later sixties.

Investigate the land clearance and urban redevelopment plans in your own territory. I hope that your investigation will lead you to the same conclusion which I have reached - that these plans are worthy of your support. I think through an intelligent use of some such program as this we can go through the transition period from the obsolete cities of the present to modern, pleasant and efficient cities of the future.



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